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**House of Representatives**

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July 18, 2023

Lip-Bu Tan  
Chairman and Founder  
Walden International  
1 California Street  
San Francisco, CA 94111

Dear Mr. Tan,

We write to express serious concern and to request information about Walden International's investments in artificial intelligence (AI) and semiconductor companies in the People's Republic of China (PRC), as well as any investments Walden has made in PRC-based quantum computing firms. The PRC is actively seeking out and using advancements in AI to perpetrate human rights abuses and enhance its military capabilities. It is likewise using advancements in quantum computing and semiconductor manufacturing to support the People's Liberation Army (PLA).

China's policy of military-civil fusion (军民融合)—which “eliminat[es] barriers between the PRC's civilian research and commercial sector and its military and defense industrial sectors”—ensures that no technology company in China is truly a private company.<sup>1</sup> American venture capital and private equity investments in PRC AI, quantum, and semiconductor companies directly contribute to the PRC's human rights abuses, military modernization, expansion of authoritarianism around the globe, and the PRC's overall effort to supplant U.S. technological leadership.

PRC-based AI companies such as Yitu, Megvii, SenseTime, and CloudWalk have all been linked to China's efforts to profile and track Uyghurs—“ushering in a new era of automated racism.”<sup>2</sup> The PLA also leverages China-based AI to modernize its military, such as for intelligent and autonomous vehicles, geospatial imagery analysis, warfare simulations and training, military

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<sup>1</sup> U.S. State Department, “Military-Civil Fusion and the People's Republic of China,” <https://www.state.gov/wp-content/uploads/2020/05/What-is-MCF-One-Pager.pdf>.

<sup>2</sup> Paul Mozur, “One Month, 500,000 Face Scans: How China Is Using A.I. to Profile a Minority,” *New York Times*, April 2019, <https://www.nytimes.com/2019/04/14/technology/china-surveillance-artificial-intelligence-racial-profiling.html>.

maintenance, logistics, and more.<sup>3</sup> From 2015 to 2021, at least 39 percent of Walden's AI investments were in PRC companies.<sup>4</sup> Walden has invested in Intellifusion, an AI company that the Commerce Department placed on its Entity List for enabling PRC surveillance in Xinjiang.<sup>5</sup> In 2017, Intellifusion won the Xinjiang Security Excellent Enterprise Award.<sup>6</sup>

Like AI, the domestic development of semiconductors is a top priority of the Chinese Communist Party.<sup>7</sup> Semiconductors are essential for artificial intelligence, quantum computing, and other advanced dual use technology.<sup>8</sup> Walden has invested in PRC-backed Biren Technology, which is also backed by Chinese and Russian state funds, and SMIC, which the Commerce Department placed on its Entity List in 2020.<sup>9</sup> Walden continues to actively invest in PRC semiconductor companies: in December 2022, it backed Jingneng Microelectronics alongside a host of China-based venture funds, and in April 2023, it backed Qingchun Semiconductor, again alongside China-based funds.<sup>10</sup> The PRC also uses quantum computing for military applications including counter-stealth, counter-submarine, and breaking encryption.<sup>11</sup>

Accordingly, please respond to the following questions no later than August 1, 2023:

1. Please list the name of each company that is researching or developing products or services related to artificial intelligence or machine-learning, semiconductors, or quantum computing or quantum information systems that Walden – or any affiliated investment vehicles or personnel – has invested in that is either based in or has significant operations

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<sup>3</sup> Akashdeep Arul, "How China is using AI for warfare," Center for Security and Emerging Technology, February 2022, <https://cset.georgetown.edu/article/how-china-is-using-ai-for-warfare/>.

<sup>4</sup> Emily S. Weinstein and Ngor Luong, "U.S. Outbound Investment into Chinese AI Companies," Center for Security and Emerging Technology, February 2023, <https://cset.georgetown.edu/publication/u-s-outbound-investment-into-chinese-ai-companies/>.

<sup>5</sup> Crunchbase, "Intellifusion," <https://www.crunchbase.com/organization/intellifusion>; U.S. Commerce Department, "Commerce Department to Add Nine Chinese Entities Related to Human Rights Abuses in the Xinjiang Uighur Autonomous Region to the Entity List," <https://2017-2021.commerce.gov/news/press-releases/2020/05/commerce-department-add-nine-chinese-entities-related-human-rights.html>.

<sup>6</sup> "Yuntian Lifei won the 2017 Xinjiang Security Excellent Enterprise Award, and its police-level dynamic portrait recognition solution has attracted much attention," <http://www.e110119.com/news/show-4022.html>.

<sup>7</sup> CSET, "Translation of 14<sup>th</sup> Five Year Plan," [https://cset.georgetown.edu/wp-content/uploads/t0284\\_14th\\_Five\\_Year\\_Plan\\_EN.pdf](https://cset.georgetown.edu/wp-content/uploads/t0284_14th_Five_Year_Plan_EN.pdf).

<sup>8</sup> *Id.*

<sup>9</sup> Crunchbase, "Series A – Biren Technology," [https://www.crunchbase.com/funding\\_round/biren-technology-series-a--e786fd55](https://www.crunchbase.com/funding_round/biren-technology-series-a--e786fd55); Julie Zhu, "China Everbright, VC firm Walden launch \$500 million semiconductor fund," <https://www.reuters.com/article/us-china-privateequity-fundraising/china-everbright-vc-firm-walden-launch-500-million-semiconductor-fund-idUSKBN1CV1RD>; Qianer Lu, "Chinese chip designers slow down processors to dodge US sanctions," <https://www.ft.com/content/7df13a5e-84e8-44af-b0d3-3e3efa6a8671>; U.S. Department of Commerce, "Commerce Adds China's SMIC to the Entity List, Restricting Access to Key Enabling U.S. Technology," <https://2017-2021.commerce.gov/news/press-releases/2020/12/commerce-adds-chinas-smic-entity-list-restricting-access-key-enabling.html>.

<sup>10</sup> Mu Li, "Semiconductor Manufacturer Jingneng Microelectronics Completed Pre-A Round of Financing," <https://equalocean.com/news/2022121919296>; Crunchbase, Qingchun Semiconductor, [https://www.crunchbase.com/funding\\_round/qingchun-semiconductor-series-a--7523f6ed](https://www.crunchbase.com/funding_round/qingchun-semiconductor-series-a--7523f6ed).

<sup>11</sup> U.S. Commerce Department, "Commerce Lists Entities Involved in the Support of PRC Military Quantum Computing Applications, Pakistani Nuclear and Missile Proliferation, and Russia's Military," <https://www.commerce.gov/news/press-releases/2021/11/commerce-lists-entities-involved-support-prc-military-quantum-computing>.

in the PRC. Please provide each company name in both English and Chinese. If any of these investments were into holding companies or similar investment vehicles, please also provide the English and Chinese names of the relevant operating company(ies).

2. For each company listed in response to Question 1:

- a. Please state the dollar amount that Walden invested in each listed company, and the date(s) of such investment(s) in each company.
- b. Please describe any business or management expertise or advice that Walden has provided or expects to provide to the relevant company.
- c. Please identify whether Walden, or affiliated personnel, is entitled to exercise control or influence over the company. Please describe how such responsibility, control, or influence may be exercised.
- d. Please explain the relevant factors that were used to assess the investment and to make the decision to proceed with the investment. Please also identify the risk factors identified, and whether any of those risk factors related to national security or human rights concerns.
- e. Please explain how investment decision making for transactions in China and risk assessment around national security or human rights concerns are communicated with Walden limited partners.
  - i. Please identify any limited partners in Walden or affiliated funds that are domiciled in the PRC or that manage funds on behalf of PRC state-owned or affiliated entities. Please provide the names in English and Chinese.
- f. Please state whether the listed company was receiving or has since received funding or revenue from any PRC-affiliated, state-owned, or state-backed entity.
  - i. Please specifically state whether any Chinese government entity or state-owned entity was listed in the company's capitalization table at the time the investment was made, and if so, please provide the name of such entity in English and Chinese.
- g. Please describe the role or influence of the CCP or PRC Government at the company, including (but not limited to) any known Party committees at the company, sales to or collaboration with PRC Government entities, or alignment of corporate research or development efforts with CCP or PRC Government technology priorities.
  - i. Please produce copies of all documents and correspondence in your possession or control related to the subject matter of this question.

3. Please produce all of Walden's internal policies and procedures that relate to how Walden decides whether to invest in a company that is either based in or has significant operations in the PRC. Please produce both PRC-specific and general Walden policies and procedures that informed the decision to invest in each company listed in response to Question 1.
  - a. Please describe, and provide documents evidencing, any compliance mechanisms that Walden has put in place to ensure that such investments comport with all relevant legal restrictions in the United States and with Walden's internal policies.
4. Please describe the risk factors Walden considers during the due diligence process when considering an investment in a company that is based in or has significant operations in the PRC.
  - a. With respect to each company listed in response to Question 1, did any Walden personnel or outside consultant raise questions or concerns regarding the substance or the reputational risks related to human rights, national security or similar concerns? Please describe the questions and concerns and any objections to proceeding with the investment and produce all related documents.
5. How has, or how would, Walden respond if the U.S. government placed a company that Walden invests in on a sanctions or trade restriction list, such as the Commerce Department's Entity List? Please describe any mitigation measures Walden may have in place for such a scenario.

The House Select Committee on the Strategic Competition Between the United States and the Chinese Communist Party has broad authority to "investigate and submit policy recommendations on the status of the Chinese Communist Party's economic, technological, and security progress and its competition with the United States" under H. Res. 11. Upon your receipt of this letter, please maintain and preserve all hard copy and electronic documents, including electronic communications, related to the subject matter of this letter.

To make arrangements to deliver a response, please contact Select Committee staff at (202) 226-9678 (Majority) and (202) 225-2489 (Minority).

Thank you for your attention to this important matter and prompt reply.

Sincerely,



Mike Gallagher  
Chairman



Raja Krishnamoorthi  
Ranking Member